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Default Sought in \$400-Million Soviet Suit

By DOROTHY TOWNSEND, *Times Staff Writer*

A California businessman who claims that he was falsely accused of fronting for U.S. intelligence activities in Russia asked the Los Angeles federal court Wednesday to enter a default judgment against the Soviet Union for its failure to respond to his \$400-million lawsuit.

"They were served with our complaint in Moscow on May 31, and they had until July 30 to respond," said Raphael Gregorian's lawyer, Gerald Kroll, outside the downtown federal courthouse after filing the request.

"I checked with the (federal court) clerk, and the Soviet Union has not filed an answer, and my office has not been contacted by anybody," Kroll said.

A hearing on the request for default judgment is scheduled Sept. 23 in Judge David V. Kenyon's court.

Gregorian, head of a Palo Alto-based medical equipment import-export firm, said that he has "great faith in the (U.S. judicial) system" and that he "definitely (expects) to be compensated for the losses."

The door was opened for the

unusual move July 17, when Kenyon ruled that the Soviet defendants are subject to jurisdiction under the Foreign Sovereign Immunities Act, which permits claims against foreign nations if they are commercial in nature.

Kroll said that in the event that his client should win a default judgment against the Soviet Union and its official newspaper, Izvestia, he is exploring the possibility of attaching frozen assets of Baltic nations in the United States, which the Soviet Union claims.

He said Estonia, Latvia and Lithuania have about \$70 million in blocked assets in this country, frozen by the U.S. government after the Soviet Union annexed those countries in 1940.

"We intend to seek a license to attach those assets," Kroll said Wednesday.

Kroll said Gregorian, head of the California International Trade Corp., has been virtually wiped out because of the spying allegations, which he has said are false.

Gregorian, 56, lost his accreditation for doing business in the Soviet

Union last November after a sharp personal attack on him in Izvestia. The article charged that Gregorian had been playing a double game, posing as a business executive but trying to make contacts with Soviet officials who, it said, had been targets of U.S. intelligence organizations.

The article called the American businessman a "double-faced trader" who sought to establish unofficial contacts for ferreting out data and information. It further accused him of selling obsolete equipment and overcharging Soviet customers.

Gregorian's libel and breach-of-contract suit contends that the accusations were "based solely upon a desire to retaliate against an innocent American citizen" after the arrests in Los Angeles last October of two Soviet emigres on charges of conspiring to commit espionage with FBI Agent Richard W. Miller.

Gregorian, a naturalized U.S. citizen who was born in the Soviet Union, had been doing business there for 14 years when the accu-

sations surfaced and he was forced to close the firm's Moscow office.

The lawsuit, which claims breach of contract and libel, was filed here last January. Kroll said Gregorian has not been paid for medical and laboratory equipment sent there for use in hospitals.

Kroll said he went to Moscow in February to try to talk with officials there and was rebuffed. He said, however, that the U.S. Embassy in Moscow had received a communication from the Soviet Ministry of Foreign Trade as recently as three weeks ago "saying we may be willing to pay, but we want the case dropped."